

Econ: Unit 2 Review Guide

Chapters 4-7

Name _____

1. Define demand.
2. What determines the price and quantity produced of most goods?
3. Define inferior goods.
4. The U.S. economy is based on what system?
5. Define market demand schedule.
6. *Ceteris paribus* means what and takes only what into account?
7. What is an inelastic good?
8. What is the basic principle of the law of demand?
9. Compare luxuries to inferior goods.
10. A shift in the demand curve means what?
11. What is unitary elasticity?
12. What type of elasticity of demand is less than 1?
13. Know how to read a demand curve... a supply curve...
14. Be able to calculate elasticity of demand. What is the formula?
15. What are some fixed costs for a store?
16. At the most profitable level of production, a business' marginal cost will be ____ the market price.
17. What are subsidies?
18. What type of goods do governments place price ceilings?
19. Define equilibrium.
20. Define minimum wage.
21. What type of government tries to create a society in which everyone is equal?
22. Example of a price ceiling.
23. When consumers don't have enough information to make good choices, the market will behave inefficiently. True or False?
24. When will a shortage develop?
25. Know how to read/analyze a supply/demand graph.
26. Define monopolistic competition.
27. What is a natural monopoly?
28. What are forms of non-price competition?
29. What happens to a good or service when it is deregulated?
30. Why are cartels difficult to operate?
31. Why does gov't grant monopoly power... by issuing a patent?
32. What are the conditions for perfect competition?
33. Define oligopoly.
34. Provide examples of economies of scale.
35. What is predatory pricing?

Short Answer:

1. Be able to graph demand and supply curves.
2. Know products with inelastic demand.
3. Be able to calculate elasticity of demand/supply, etc.
4. Explain events that can cause demand curves to shift. (6)
5. Explain events that can cause supply curves to shift. (7)

For each market structure, know the following:

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|--------------------------------|--|
| →Number of firms | →Ability to control prices |
| →Identical or similar products | →Easy or difficult to enter the market |